

2. Environmental Labeling: The US Perspective

2.1. Background

In all of the seven major industrialized nations (the “G7”), continual efforts have been made to compile environmental performance information specific to a wide range of products and services.⁴ Such information is disseminated to consumers through hundreds of labeling programs, both governmental and non-governmental. These programs are implemented at various points throughout the manufacturing process, from raw material extraction to use and disposal. It is important to note that environmental labeling has practical implications in the marketplace, where goods and services compete for consumers, as well as public policy implications for governments, which are typically charged with the protection of environmental quality -- a “common good” owned collectively by society. Labeling in the US is no longer separable from labeling activities in foreign countries, such as ecolabeling programs, nor from international activities, such as the International Organization for Standardization (ISO)14000 standard-setting process. Thus, the scope of this report focuses on US programs, yet includes active foreign “ecolabeling” programs.

In simple terms, environmental labeling is defined as making relevant environmental information available to the appropriate consumers. Environmental labeling is the practice of labeling products based on a wide range of environmental considerations (e.g., hazard warnings, certified marketing claims, and information disclosure labels). Labeling contributes to the decision-making process inherent in product selection, purchasing, use and disposal, or retirement. Yet unlike most regulations that affect the behavior or actions of a limited number of entities (e.g., facilities or companies), labeling is designed to influence all consumers. In this context, the definition of “consumers” encompasses all individuals and organizations making purchase decisions regarding products and services, ranging from procurement officers of governments and corporations to individual retail consumers. Environmental labeling often also affects manufacturers and marketers as they design and formulate products that must compete based on quality, price, availability and, to varying degrees, environmental attributes.

Current initiatives to harmonize programs worldwide and to establish labeling standards recognize the diversity among the many types of environmental labels and the many programs now active. Some programs highlight just a single attribute of a product, such as the recycled fiber content of paper; others examine multiple attributes. Some programs, such as those developing automobile fuel economy labels, are neutral (i.e., they make no comparisons among similar products), while other programs attempt to identify environmentally preferable products for the consumer. Some, such as the US Environmental Protection Agency's (EPA's) pesticide labeling program, establish mandatory requirements (typically issued by the government as part

⁴ “G-7” consists of Canada, France, Germany, Italy, Japan, USA, and the UK.

of statutory requirements), whereas other programs are operated by independent third parties and are typically voluntary. Another form of labeling includes self-declarations made by manufacturers. While many programs target the retail consumer, programs such as EPA's Environmentally Preferable Products (EPP) program target institutional decision-makers, e.g., federal procurement officials.

Each of these labeling and program characteristics is closely related to the underlying methodologies used to evaluate the products' environmental attributes. The most comprehensive methodologies examine a product's entire life cycle, from material extraction, through production, to use and disposal. Whereas there is no single established standard, life cycle approaches are the most commonly used by labeling programs. Life-cycle approaches are usually adopted due to the difficulty of selecting a small set of attributes to represent what are in fact complex site-specific environmental consequences. Some programs, however, such as the US Energy Star program, assess products on a life-cycle approach but look primarily at a single characteristic of whether products meet energy-efficiency criteria.

Whereas much debate exists surrounding what constitutes an optimal program, and what information and format are most useful to those making purchase decisions, all such efforts contribute to the generation and dissemination of environmental information in the marketplace. Furthermore, the increased amount of information regarding environmental attributes and performance affects manufacturers upstream by pressuring them to take environmental attributes into consideration when designing or manufacturing their products. Overall, the combined effect is greater availability and use of such information in the US and in other marketplaces throughout the world.

2.2. Environmental Labeling in the US

Much of the current research on environmental labeling programs focuses on the emerging third-party environmental labeling programs. (Third-party labeling programs use an independent source for their verification process.) Most of these programs are designed to either identify environmentally superior products or to inventory the products' environmental impact or burden categories (so that consumers can make such determinations themselves). While such programs exist in the US and many foreign markets, they do not and cannot represent the full spectrum of environmental labeling. In the US, such programs are relatively new compared to third-party environmental labeling programs in other countries, which are typically run by governments. Furthermore, there are tremendous differences among the missions of US programs. The existing US government programs often exist to implement specific requirements of statutes or regulations. For example, to be effective, hazard/warning labels typically are mandatory, and usually only governmental authorities have the power to impose such requirements on all products in the marketplace.

From a domestic perspective, environmental labeling in the US encompasses over 20 programs. In addition to the governmental warning labeling programs mentioned above, there are also:

- ▶ federal government programs dealing with disseminating relative performance information, such as the Energy Guide;
- ▶ governmental and private programs establishing performance or attribute standards and collecting information for decision-makers, although not necessarily involved in point-of-purchase labeling;
- ▶ private third-party programs, issuing both neutral and positive labels;
- ▶ environmental marketing claims made by manufacturers and marketers with guidance issued by the Federal Trade Commission; and
- ▶ federal, state, and local hazard warning programs.

Taken collectively, the labeling activities and coverage (re: product categories) of these programs play a substantive role in the US marketplace. The fact that US labeling is dispersed among many different programs requires greater attention to coordination, particularly during bilateral or multilateral harmonization and negotiations.

Since the creation of the Pesticide Labeling Program in 1947, EPA and its prior organizational entities have been involved in product evaluation and the administration of an environmental labeling program. Today, EPA is involved in 13 such programs, ranging from warning labels under the Toxic Substances and Control Act to the development of standards, used in the Agency's own Green Buildings and Energy Star programs and life cycle research for selected products and processes. (A full list of these programs is presented in Chapter 4.) EPA is also involved in other governmental programs, such as the Energy Guide for appliances, which is administered jointly with the Department of Energy.⁵ Finally, EPA has contact in some form with almost all environmental labeling programs, both foreign and domestic. Such contact ranges from intermittent briefings and discussions, to exchanges of technical information used in developing standards to joint participation in International Organization for Standardization (ISO) activities.

Environmental labeling in the US marketplace is both active and wide-ranging. Consequently, the model of a single centralized labeling program does not fit the US experience, nor is it warranted, given the number of longstanding programs in existence and lack of a (federal) mandate to consolidate such activities. Summary information and the interrelationships among environmental labeling programs, both US and foreign, are examined in detail in the following chapters.

⁵All of these efforts involve research efforts, some of which resulted in published reports, such as the *Status Report on the Use of Environmental Labels Worldwide*, *The Use of Life Cycle Assessment in Environmental Labeling*, and *Determinants of Effectiveness for Environmental Certification and Labeling Program*.

